

STATE OF MICHIGAN
DEPARTMENT OF ATTORNEY GENERAL



MIKE COX
ATTORNEY GENERAL

P.O. Box 30754
LANSING, MICHIGAN 48909

March 9, 2004

Re: OmniCare Health Plan and The Wellness Plan Bid Submission Deadline and Procedures

Dear:

This letter requests and provides guidance for all interested buyers to submit their best and final offer to the Rehabilitator to purchase assets of The Wellness Plan, Omnicare or both.

B. Rehabilitator's Timeline for Bid Process

Your Best and Final offer(s) and all supporting documents and information must be submitted to the Rehabilitator no later than 5:00 p.m. Wednesday, March 17, 2004.

The receipt time will be based on actual delivery to the rehabilitator and Eastern Standard Time in Lansing, Michigan. If a bid is submitted electronically, its deliver time will be when it is received by the Rehabilitator's computer. Transmission errors or problems will not extend the filing deadline. The rehabilitator will make her final decision on March 19, 2004.

After her decision, the rehabilitator will then try to adhere to the following schedule:

March 22	Signed Purchase Agreements for Wellness and OmniCare
March 29	Wellness and OmniCare Liquidation Plan and Purchase Agreement to Court and Service of Liquidation Plan and proposed sales to OmniCare and Wellness creditors

The Rehabilitator would like to have the court hearing on the Wellness and OmniCare transaction(s) and the Court approval of the proposed transaction(s) during the week of April 15, 2004. This is however contingent on the Courts' schedule.

C. Criteria to be considered by the Rehabilitator

The rehabilitator will use her best judgment to determine which bid or combination of bids best meet the needs of the HMOs' creditors, members and the public as a whole. All decisions will be subject to the sole discretion of the Rehabilitator and will require approval by the rehabilitation court. Among other criteria the Rehabilitator will consider:

Are the bids fair and equitable to the creditors, members and the public as a whole?

Will the bid(s) provide full payment to the creditors?

How are post rehabilitation liabilities treated?

What assets are being acquired? The Rehabilitator will consider bids that include a single HMO, both HMOs, or any combination of the HMOs and their assets. Be specific with your offer for any particular assets (i.e. license, provider network, contract to serve members, etc)

Commitment to employ current staff.

How much is being paid?

Operational experience and history of the bidder and its management, including regulatory history.

Availability of funds to complete the transaction and any contingencies related to the availability of funds.

Financial reserves and solvency of the bidder and the proposed new entity, if any.

Please note that the criteria listed above are not in any particular order or ranking.

D. Form of Bid

The bid submitted must include:

1. An affirmative statement that:

a. There are no existing legal restrictions to the bidder and its expected management team that would preclude them from being licensed in Michigan to operate an HMO and participate in the Medicaid program and if relevant to the bid, the commercial business.

b. There are no known current, pending or expected legal, financial or regulatory proceeding or circumstance involving the bidder that would materially adversely affect its ability to complete the proposed transaction or operate a financially solvent HMO in Michigan.

2. Specifically and with reasonable detail, address each of the criteria listed in Section C of this letter.

3. Designate a specific contact person for questions and additional information, if needed, and to receive notice of the Rehabilitator's decision. Include the individuals overnight mail address, telephone number, fax number and email address.
4. A completed Form A.

E. Delivery of the Bids

All bids and related inquiries should be directed to:

Judy Weaver, CFE, Deputy Commissioner
Supervisory Affairs & Insurance Monitoring Division
Phone #: (517) 335-1742
Fax #: (517) 241-4610
Email: jaweave@michigan.gov
P.O. Box 30220
Lansing, MI 48909

Thank you for your cooperation in the bidding process. I look forward to your client's response to our proposed way of proceeding.

Very truly yours,

Michael J. Fraleigh
Assistant Attorney General
Insurance and Banking Division
(517) 373-1160

MJF:jk

Cc: Linda Watters, Rehabilitator
Judy Weaver

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